

STATE OF CALIFORNIA  
DEPARTMENT OF PERSONNEL ADMINISTRATION  
SAVINGS PLUS PROGRAM

# NewsLine

Second Quarter 2000

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## FREE SEMINARS

CalPERS offers FREE seminars for active members, retirees, and spouses. These seminars explain financial and retirement options to help you plan and prepare for a financially secure retirement.

CalPERS offers three types of seminars and one workshop for members interested in planning for their future. The seminar topics are: retirement planning, financial planning and estate planning.

These one-day seminars are offered at all CalPERS Regional Offices and other training sites around the State.

You can find out more about these seminars on-line at [www.calpers.ca.gov](http://www.calpers.ca.gov) or by calling or stopping by the Regional Office

## More Options = Easier Account Management Dreyfus Internet Site Expands

On June 5th, Dreyfus Retirement Services (DRS), released the latest enhancement to its Internet site ([www.drs.dreyfus.com](http://www.drs.dreyfus.com)). Specifically, the Dreyfus web site now will:

- Model and **REQUEST** general purpose loans.
- Model and **REQUEST** residential loan kits.
- **REQUEST** a 457 In-service Withdrawal.

Previously, participants could only model their 401(k) general or residential loan via the Internet, but not request their loan to be processed. Now participants can both model and **request** a 401(k) loan using the Internet.

Additionally, 457 participants who have an account balance of less than \$5,000 AND have not contributed to their 457 account for 24 months AND have never taken a Voluntary In-Service Withdrawal, can now request a withdrawal directly via the Internet. Previously, the way to request a 457 withdrawal was through the SPP Voice Response System.

The SPP is on the move to help participants manage their accounts through the ease and efficiency of the Internet, with just the click of a mouse!

## More Information

### Change of Address

Change of address transactions are important. These transactions are what maintain good communication between the Savings Plus Program (SPP) and participants. We need to maintain accurate address information to send forms, statements, NewsLines, and other related material you need to manage your SPP account.

In reporting a change of address, there are three different groups who need to be addressed differently. Namely,

- Retirees
- Active Participants (making contributions)
- Inactive Participants (not making contributions)

**Retirees** must ALWAYS report a change of address to the SPP. To do this, simply call the SPP at our toll free telephone number, (800) 827-5000, or send an email to the SPP mailbox ([saveplus@dpa.ca.gov](mailto:saveplus@dpa.ca.gov)). SPP updates the database and reports address changes to the SPP Recordkeeper.

**Active Participants**, making contributions to their SPP accounts, must ALWAYS report address changes to their personnel office/human resources. This information is reported to the State Controllers Office (SCO). The SCO in turn reports the change to the SPP Recordkeeper.

**Inactive Participants**, NOT making contributions at the time of an address change, must ALWAYS report the change to their personnel office/human resources AND to the SPP.

Following these directions will help you manage your account effectively!



## Bright Idea

If you are like most people, you are probably convinced that you need every penny of every dollar you earn just

to get by.

However, many people find that when they set aside a fixed amount on a regular basis – they do not miss it.

Building wealth for retirement does not have to be difficult ~ the Savings Plus Program makes it easy.

Look into using the SPP more today; plan for tomorrow and stake a claim for your future!



All State employees will receive a 4% salary increase in September.

This presents a perfect opportunity to increase your retirement savings and reduce the tax liability of that raise.

How? By boosting your monthly contribution to the Savings Plus Program.

### Pay yourself first!

Time is Money  
(Ben Franklin)

Invest Today ...  
Enjoy Tomorrow

## Smart Investing Tips! Diversification to Reduce Risk

Retirement programs have become the single largest source of retirement savings for working Americans. More than 30 million Americans are making regular contributions to deferred compensation programs and controlling their financial future.

This can be troubling for participants with little or no investment experience because how well a participant's 401(k) or 457 account performs will determine how well or poorly a participant will live in retirement.

According to J. Michael Scarborough, who owns a noted management and investment planning company, investors should use a multi-step approach to ensure their investment success:

► **Participate** – Join your retirement program ASAP and start contributing as much as possible. Uncle Sam is giving you an opportunity to take advantage of two very important financial concepts: saving money on a tax-free basis and compounding those dollars.

► **Determine your investor profile** – Know why you're investing before making your investment choices. Define your goals and determine how long it will be until you retire. If you have 5 or more years to retirement, you may want to put more of your investments into stocks for greater earnings potential. (**NOTE:** Past historical performance of the stock market is no guarantee of future performance or returns.)

► **Borrow judiciously** – The money in your retirement plan does not grow if it is not there. If investments in your plan are growing at 12% a year, that is what borrowing costs you, plus the growth on that growth. Borrowing against your 401(k) account should be a "last option" if you want to achieve maximum growth of your account.

► **Allocate appropriately** – Diversification potentially increases returns, while diminishing risks. Determine when you will need the money, the risks you are willing to take and what other assets you have.

See the "big picture" for your financial future with all sources of retirement income considered.

► **Reallocate with care** – Review your investment strategy often. If one segment dramatically outperforms the others, your portfolio could get out of balance.

Consider reallocation on a regular schedule (maybe every 6-12 months), but do not try to "time the market."

► **Know your options** – Each plan has unique characteristics, including limitations on moving money and withdrawals. The

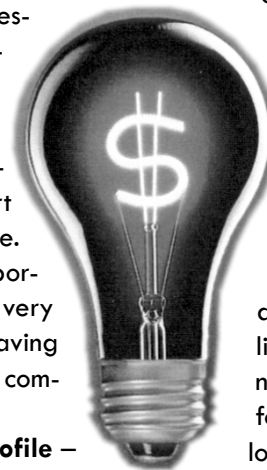
SPP *Stake a Claim for Your Future* publication gives basic program rules you need to know. This publication can be found at SPP's Website ([www.dpa.ca.gov](http://www.dpa.ca.gov)).

► **Don't panic** – Do not let market fluctuations dissuade you from making solid long-term decisions. It is a fact of economic life that markets fluctuate. You need to remember that you are in for the long term and over the long term, the clear direction of the market has been up. Selling when your investments are down locks in your losses.

► **Consider the tax consequences** – Check IRS rules yourself or with a tax expert. Consider your "withdrawal plan" to determine the impact of taxes on your pay out distribution/options.

► **At retirement, balance your needs for income and growth** – Do not jump out of the stock market when you retire. Ensure that your investments grow faster than inflation, so the income you receive has the same purchasing power when you are 85 as it does when you are 55. Remember that stocks are the only asset class that has consistently outperformed inflation!

Source: Sacramento Bee, April 26, 2000; Smart Investing



## Trade Date vs. Settlement Date Self-Directed Accounts

The Self-Directed Account (SDA) option has continued to grow since its inception in summer 1998. With this growing interest in a more diverse way of selecting investments outside the “core” options, an area of interest is verifying an account balance. In order to accomplish this task, you need a clear understanding of *Trade Date* vs. *Settlement Date*.

Under the requirements of the Securities and Exchange Commission a “settlement date” is defined differently based on the type of investment being traded:

- For a “load” Mutual Fund (fee/commission to acquire or sell), it is the Trade Date **plus** 3 days, depending on the specific fund.
- For a “no-load” Mutual Fund (no fee/commission to acquire or sell), it is the Trade Date **plus** 1 day.
- For an “equity” (stock) it is the Trade Date **plus** 3 days.

**Example:** If you place a stock trade and it is **accepted** today (a confirmed

purchase or sale before the market closes), it will “settle” in 3 days (plus today).

The trade will be “posted” (the official recording to your account) 1 day later.

Once the trade is “posted,” it can be viewed by logging on to Dreyfus Investment Services Corporation’s (DISC) Website and selecting either the **Balance** or **Positions** options.

Also, there is a 1 day processing period for the DISC “posting” to be transferred from DISC to DRS, our Recordkeeper.

Once the transfer occurs, your SDA “brokerage” account information can be viewed by logging on to DRS’ Website and selecting the **Account Overview** option, then the **Account Balance by Funds** option.

The SDA is another alternative to help you reach your investment goals and achieve your retirement dreams!

## Serious Business 401(k) Hardship Withdrawals

Participants who have 401(k) accounts believe that by having access to a 401(k) the *withdrawal* of their funds is relatively simple. However, participants need to understand the “rule” for receiving a 401(k) *withdrawal*.

Withdrawals are considered “funds of last resort.” Therefore, all other sources of assets, including the 401(k) *General Purpose Loan*, **MUST** be exhausted before a hardship or emergency application will be considered by SPP. A participant **MUST** use up personal resources, like savings, stocks or other investments, or obtain a personal loan denial. Without going through this process, participants with 401(k) accounts will not be able to apply for a SPP 401(k) withdrawal.

If a participant has both a 401(k) and a 457 account, the participant **MUST** apply for the 401(k) *General Purpose Loan* prior to being considered for a withdrawal from either the 401(k) or 457 account.

The 401(k) loan rule has one EXCEPTION. If receiving a 401(k) loan would disqualify the participant from a “commercial residential mortgage” loan, the participant does NOT need to accept the 401(k) *General Purpose Loan*. Proof of disqualification from the commercial residential mortgage lender/provider is **REQUIRED** to support this exception.

Removing funds from your 401(k) account, either by obtaining a loan or a withdrawal, may have a significant negative effect upon your retirement income. Removing funds from your account minimizes building wealth for your future. Wise advice - don’t borrow or withdraw funds unless you have exhausted all your options and only if you must!



## Easy as 1-2-3 Dollar-Cost Averaging

Dollar-cost averaging does not assure a profit nor does it protect you against a loss. You buy more shares when the market goes down, and fewer shares when it goes up, reducing your average cost per share.

When you dollar-cost average your money, you regularly invest the same amount of money, such as \$50 each month, regardless of market performance. The benefits of dollar-cost averaging are:

1. It’s simple and easy. You don’t have to think about it and you don’t have to forecast or “time” the market.
2. It provides discipline. Investing over time establishes a routine that you can expect each month.
3. It’s painless. SPP works by payroll deduction.



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## SAVINGS PLUS PROGRAM

1800 15TH STREET

SACRAMENTO, CA 95814-6614

Counter service hours: 8:00 a.m. - 5:00 p.m.

## CONTACT INFORMATION

### SPP

**Website:**

<http://www.dpa.ca.gov>

**Voice Response System:**

(800) 827-5000

(916) 322-5070 (Sacramento area)

8-492-5070 (CALNET)

**TDD:**

(916) 327-4266

8-467-4266 (CALNET)

**Phone service hours:** 8:30 a.m. - 4:00 p.m.

**FAX:**

(916) 327-1885

8-467-1885 (CALNET)

**Email:**

[saveplus@dpa.ca.gov](mailto:saveplus@dpa.ca.gov)

### DRS:

**Website:**

<http://www.drs.dreyfus.com>

### DISC:

**Website:**

<http://www.disc.mellon.com>

**Telephone:**

(800) 293-9936



## Retirees' Corner

### A Word About Beneficiaries

Maintaining a current beneficiary is a very important responsibility. Your estate, including your SPP account, should always be well maintained to take care of your loved ones after you die. Estate planning is important!

To change or update your beneficiary, complete a SPP form and return it to our office.



- If you have a 401(k) account, you **MUST** complete SPP form 2001 (Thrift Plan Beneficiary Designation Form).
- If you have a 457 account, you **MUST** complete SPP form 2004 (Deferred Compensation Plan Beneficiary Designation Form).
- If you have both a 401(k) and 457 account, you **MUST** complete both forms.

Forms are available at SPP's Website at [www.dpa.ca.gov](http://www.dpa.ca.gov) (under the publication/forms option), or can be ordered by calling the SPP Voice Response System at (800) 827-5000 and selecting the main menu "Forms and Brochures" option.

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### 401(k) Cash Distribution

The SPP received clarification regarding IRS Code Section 72(t) that may affect participants who wish to take a routine withdrawal (a lump sum payment) of their funds without a tax penalty. IRS code *does not* apply a 10% tax penalty if:

- ◆ An employee separates or retires **and** has attained 55 years of age in the same year OR
- ◆ Attains age 59 & ½ **regardless** of employment status

Participants should carefully consider potential tax penalties when requesting a lump sum cash distribution.

### As Promised

### Statement Details Now Available

We have been working with our recordkeeper to provide more detailed transaction history to those who wish it. On a pilot basis, the SPP has sent out Fourth Quarter 1999 information to those who have requested it and will follow up with First Quarter 2000 details very soon. Effective the Fourth Quarter 2000, that history will be a standard feature of your quarterly statement!

If you would like to receive detailed transaction history for past quarters, showing how each contribution was invested in your 401(k) Thrift Plan or 457 Deferred Compensation account(s), simply send an e-mail to [saveplus@dpa.ca.gov](mailto:saveplus@dpa.ca.gov).